

## **Report on the Third Ordinary Session of the African Union Conference of Ministers of Trade, Cairo, Egypt, 8 to 9 June 2005**

The Third Ordinary Session of the African Union Conference of Ministers of Trade was held in Cairo, Egypt from 8 to 9 June 2005. A Meeting of Experts from 5 to 7 June 2005 preceded the Ministerial Meeting. This conference was taking place against the backdrop of a number of important events that will take place this year, that are of significant importance to Africa. These include the review of the Millennium Development Goals (MDGs) by the United Nations General Assembly programmed to take place in September 2005, the Summit of the Group of Eight (G-8) which takes place in Gleneagles, Scotland in July 2005; and the Sixth Session of the WTO Conference scheduled for Hong Kong (China) in December of this year. Accordingly, the Conference in Cairo was taking place at a critical juncture and it was in this context that deliberations focused on a number of key issues that will feed into the subsequent meetings and conferences.

The agenda for the Meeting of Experts included review of progress in intra-African trade; state of play in the WTO Negotiations and preparations for the WTO Ministerial Conference in Hong Kong; cotton initiative; report on the implementation of the Cotonou Partnership Agreement in the Field of Trade and Investment; Economic Partnership Agreement (EPAs) negotiations; report on the Africa Growth and Opportunity Act (AGOA); TICAD III Africa-Asia Follow-up Conference, Tokyo, November 2004; trade and investment in Africa; and cooperation mechanism between Chinese Federation of Chambers of Commerce and African Union Federation of Chambers of Commerce.

The Ministerial Conference held from 8 to 9 June 2005, considered the Report of Experts and the recommendations contained therein; adopted the Cairo Declaration and Cairo Roadmap; and also held a Special Session on "Trade Liberalization, World Integration: A Better Future for Africa". During this Special Session, Ministers had the opportunity to exchange views with a number of personalities, including Mr. Peter Mandelson, European Union (EU) Commissioner for Foreign Trade; and Mr. Peter Allgeir, Deputy Trade Representative of the United States of America.

The Economic Commission for Africa (ECA) participated and contributed substantively to these meetings. Mr. Stephen Karingi of the Trade and Regional Integration Division (TRID) presented at the Experts Meeting a study of ECA on the **"Welfare Impact of Trade Liberalization and the Economic Partnership Agreements"**. Mr. Abdoulatif Mahamat also of TRID presented paper on **"Intra-African Trade"**. Furthermore, Dr. Hakim Ben Hammouda, Director of Trade and Regional Integration Division and Dr. Cornelius T. Mwalwanda, Principal Advisor of the ECA Geneva Interregional Advisory Services, delivered opening statements on behalf of ECA at the Meeting of Experts and the Ministerial Conference, respectively.

ECA Statement at the Meeting of Experts: Dr. Cornelius T. Mwalwanda

In the statement delivered by Dr. Mwalwanda on behalf of ECA, he reiterated that Africa is at crossroads, as it faces both opportunities and challenges to adapt to forces of change from within Africa and from abroad. The continent is once more being called upon to face these challenges with determination and sense of collectivity. He underlined the challenges associated with achieving the Millennium Development Goals, and noted that trade could play a significant role in helping African countries achieve the MDGs. In particular, he pointed out that Africa cannot afford to be marginalized further in the multilateral trading system, but must continue to seek to be an effective partner in the world economy and the global trading system. In this way, the much faster and broader progress towards achieving the MDGs that the African Ministers of Finance, Planning and Development called for in their recent Conference held in Abuja, Nigeria, will be

achieved. And this will lead ultimately to acceleration of broadly-shared and sustained employment-generating economic growth.

The statement enumerated the elements that Africa needs to see reflected in the first approximation of the modalities currently being negotiated in Geneva and to be discussed at the Hong Kong WTO Ministerial Conference. The thrust of the statement in this respect was for Africa to remain focused and steadfast on what it has been demanding since the Doha Round was launched. In particular, he stated that in Hong Kong there has been progress in dealing with "developmental aspects" of the Doha Work Programme; progress in trying to reach consensus on the need to eliminate exports by a credible end date and substantially reduce trade-distorting domestic support measures; progress in operationalizing the provisions of special and differential treatment (S&D) in the WTO Agreements; progress towards giving African countries the policy space needed for their development; and progress in providing effective and meaningful market access opportunities for their products.

Finally, he called on African Ministers gathered in Cairo, to provide the necessary "**political guidance**" required for the success of the Hong Kong WTO Ministerial Conference and more importantly for the successful conclusion of the current round of trade negotiations by the agreed date of end 2006.

ECA Statement at the Ministerial Conference: Dr. Hakim Ben Hammouda

In his opening statement to the Ministerial segment of the Conference, Dr. Hakim Ben Hammouda, Director of the Trade and Regional Integration Division of ECA expressed on behalf of Dr. K.Y. Amoako, the Executive Secretary of the Economic Commission for Africa gratitude to the Government of the Arab Republic of Egypt, the hosts of the meeting. He also paid tribute to the African Union Commission for inviting the ECA to participate in a substantive way in this 3<sup>rd</sup> Ordinary Session of the African Union Conference of Ministers of Trade. He stated that the ECA values the collaboration that it has with the AUC, because it believes that only through such collaboration can the quality and quantity of advice that African Governments receive from their regional institutions be maximized. The ECA is committed to continue working hand in hand with the African Union to ensure that solutions to the challenges that Africa faces are tackled in a realistic and workable way. The hallmark of this collaboration continues to be the exploitation of the synergies that the two Commissions can bring together for the benefit of Africa. As the African Union continues to provide political leadership on issues aimed at creating a stronger and richer Africa, the ECA will continue to provide sound and objective policy options that can be put before decisions makers like yourselves Honourable Ministers.

He recalled that last year, The Conference was held in Kigali, Rwanda, to deal with what was then a critical issue, an agreement on an African position prior to the General Council of July 2004. He noted that the result of that meeting was the Kigali Declaration and its annexed Kigali Consensus, both of which went a long way in facilitating Africa's participation in the Doha Round negotiations. Firstly, the Consensus provided the political guidance that our negotiators needed so that they could extract the best deal for Africa in the July Package. And secondly, the Consensus demonstrated to the World that Africa no longer stands on the fringes or sit on the fence when issues likely to have impacts on its economies and its people are being discussed. Africa managed to make it clear to the World that it was going to be part and parcel of any decisions that are going to determine its destiny. He paid tribute African trade negotiators and Honourable Ministers for the tireless efforts that they put to ensure that the July Package took cognizance of the issues that African countries had put forth.

He noted that the July Package did not fully meet the Kigali Consensus expectations. But he was of the view that we are today much more clearer of what it will take for us to get the best results from the fast approaching Hong Kong Ministerial. We need to look critically at the recommendations that your experts have been working on over the last three days to ensure that

they reflect the goals and aspirations of the African people that you represent. The Hong Kong Ministerial is taking place at a time when the African economies have started showing signs of strong growth. Yet this growth is not strong enough to have any positive and sustained impact on the economic and social challenges that face the continent. And so, as we approach the Hong Kong Ministerial, it is our hope as partners of the African Union, that the first approximation of the modalities will be consistent with the role we would all like trade to play in the attainment of the Millennium Development Goals.

Dr. Ben Hammouda also noted that the multilateral negotiations issues that have formed one of the main themes of our meetings this week are one pillar of the multifaceted issues that face our continent today. And it is for this reason that we at the ECA are engaged in work in other areas with the aim of ensuring coherence in the positions that are contained in the Cairo Recommendations and the commitments and actions that our countries are likely to have at the national or regional level in the days ahead. In this respect, there are four areas where the ECA through its Trade and Regional Integration Division is currently focusing its work on, guided by you our Member States. These are: implementing the research issues raised in the Tunis Roadmap; undertaking research work to identify the potential economic and welfare implications of the on-going Economic Partnerships Agreements negotiations with the European Union (EU); establishing how regional integration in the continent can be deepened through removal of intra-African trade barriers and better trade facilitation; and working on how best trade can be mainstreamed in national development strategies.

On the multilateral negotiations area, the ECA takes seriously the issues and questions raised by the African Group negotiators as outlined in the Tunis Roadmap. The ECA believes that the issues raised in the various areas such as in agriculture negotiations, Non Agriculture Market Access (NAMA), Special and Differential Treatment (S&D), trade facilitation are still relevant, as the issues addressed in the Cairo Recommendations attest. The ECA has been deeply involved in undertaking research that address some of the specific questions in agriculture and NAMA negotiations and also how the S&D flexibilities could be deepened. We believe the time for generalities have since passed and that the time to provide specific answers to the questions that our negotiators continue to grapple with as we move towards the first approximation of the modalities to be discussed in Hong Kong is now, if not yesterday

He also stated that African countries are also currently deeply engaged in the Economic Partnership Agreements (EPAs) negotiations with the EU. Suffice to mention that the positions that the African countries eventually take in the EPAs negotiations will depend to a large extent on the outcome in Doha. In this regard, the ECA has been undertaking serious research work on the potential implications of the EPAs in the hope that coherence between the EPAs agreement and the final Doha outcome are consistent. The long-term implications of the EPAs agreements should move in the same direction to those of the Doha outcome and should not be seen to be pulling in different directions.

He stated that ECA strongly believes that regional integration has a very strong role to play in Africa's long-term development. The pace and direction of this regional integration has been agreed under the Abuja Treaty. The Constitutive Act of the African Union takes forth the Treaty's ideals, goals and objectives. In this respect, the ECA's current research work in this area is being undertaken at two levels. First, rigorous analytical work is being carried out with the sole aim of ensuring that the regional integration initiatives that Africa is currently employing as vehicles of the continental development are not undermined by some of the commitments that the continent makes either in Doha or under the EPAs. Like the African Union, we strongly believe that regionalism is an invaluable development route for Africa and for that reason, outcomes of trade negotiations should at the end of the day help deepen the regional integration initiatives in the continent rather than undermine it. Secondly, intra-African trade is growing in some of the regional economic communities (RECs) and this trade could be raised tremendously through

appropriate architecture of our regional initiatives where the inter-RECs barriers are brought down.

Dr. Ben Hammouda also stated that while the above three issues that the ECA is engaged in are aimed at ensuring positive outcomes at multilateral, bilateral and regional level for Africa, the question of mainstreaming trade in national development has of late been identified within the Commission as key. In this respect, the ECA is currently working on the best practice in mainstreaming trade in development strategies, in a way that ensures that trade plays its appropriate role in economic growth and development. Yet the trade policies that need to be mainstreamed in these development strategies will be significant only if they are coherent, as they will arise from the commitments made at the multilateral level, through the EPAs and in the regional integration initiatives.

He concluded by wishing the meeting a success and hope that the recommendations endorsed in Cairo will go a long way in providing the political guidance that the Geneva African Group needs to ensure that the modalities reflect adequately Africa's aspirations.

Special Ministerial Session Trade Liberalization, World Integration: A Better Future for Africa

H.E. Mr. Rachid Mohamed Rachid, Minister of Foreign Trade and Industry of the Arab Republic of Egypt chaired the Special Ministerial Session and key speakers included Mr. Peter Mandelson, European Union (EU) Commissioner for Foreign Trade; and Mr. Peter Allgeir, Deputy Trade Representative of the United States of America.

### **Remarks by Mr. Peter Mandelson, European Union (EU) Commissioner for Foreign Trade**

In his opening remarks, Mr. Mandelson stated that Africa and the European Union shared a common vision and agenda as regards to the need for Africa to achieve development and also to see negotiations of the Doha Work Programme successfully concluded. He raised the issue of how the Doha Round could put trade at the service of development. It was his view that a radical, pragmatic and a high level of ambition would be required in the outcome of the Doha Work Programme. There was need to be progressive in trying to assist African economies to be effectively integrated in the world economy and the global trading system.

### **Agriculture**

As regards agricultural negotiations, Mr. Mandelson noted that African countries are divided on the way forward, which reflects the diversity of African countries. While some African countries are calling for a more ambitious results in agricultural negotiations and the opening up of agricultural markets of developed countries, preference receiving countries are more cautious, concerned at the possible erosion of their preferences. Mr. Mandelson confirmed that as far as the EU is concerned export subsidies would need to be eliminated by a credible end date. Furthermore, he stated that it was the view of the EU that tariffs should be reduced substantially, but also takes into account preferences currently received by African countries. As regards sugar, he informed African Ministers that the EU would be reforming its sugar regime, because the current regime is not sustainable. The EU Commission will be considering next week proposals for reforming the EU Sugar Regime.

### **Non-Agricultural Market Access (NAMA)**

On NAMA, Mr. Mandelson stated that the July Package requests some African countries to raise their levels of bindings and the EU hopes that that can be achieved through negotiations. He noted that some 70 percent of duties paid by African countries are to other developing countries, rather than developed countries. Accordingly, African countries need to be careful in evaluating

and associating themselves with proposals from other developing countries, which could be detrimental to Africa. He also stated that tariffs are not the only market entry impediments facing African countries, but also non-tariff barriers (NTBs). The Trade Commissioner informed the Ministers that he would be discussing with them how the EU could help to remove some of these market entry barriers, including Technical Barriers to Trade (TBTs) and standards. There was need in his view to boost transparency of EU non-tariff barriers to products of ACP countries.

### **Trade in Services**

Mr. Mandelson stated that expansion of trade in services offered the greatest opportunity for Africa to raise incomes and employment and its share in world trade. He expressed concern at the slow progress in negotiations on trade in services. He urged African countries to make offers and submit requests. But he urged against pressurizing Africa to act against its interests in these negotiations

### **Trade Facilitation**

He stated that progress could benefit Africa in that trade facilitation reduces transactions costs, and provides transparency in customs procedures. He noted the need to build capacity in Africa and improve infrastructure in order to facilitate the movement of goods and people.

### **Summary**

In summing up Trade Commissioner, Mr. Mandelson stated that there was need for strong political commitment for the Cairo Meeting in regards to the Doha Development Agenda (DDA). There was need to make progress in the four key issues of agriculture, NAMA, services and trade facilitation. Furthermore there was also need to make progress on the wider development agenda of the DDA. He also there was also need for an early harvest on some of the issues under negotiation, such as simplification of the rules of origin and preferences, and the cotton sectoral initiative. It was his view that changes to cotton subsidies needed to be substantial and also the supply-side constraints would need to be addressed.

Mr. Mandelson stated that the "Everything But Arms" initiative of the EU is a good model for providing market access opportunities to poorer countries. In his opinion, developed countries needed to be courageous to reject domestic protectionism in the cotton sector and the pressures from domestic lobbies. He also stated that the concept of "Aid for Trade" is gaining ground in the international community and this issue will be discussed by the G-8 Summit in Gleneagles, Scotland early July 2005.

On the road to the Hong Kong WTO Ministerial Conference, he offered the following perspectives:

- Need to seek an end to the impasse on TRIPS and Public and the negotiations regarding amendment of the trips Agreement;
- Need to extend the scope of geographical indications, to include commodities produced by African countries;
- Need for special provisions in the DDA for small and island economies

He ended his remarks by stating that 2005 is a year for Africa and a key year for trade and development.

**Remarks by Mr. Peter Allgeir, Deputy Trade Representative of the United States of America**

In his opening remarks, Mr. Allgeir stated that the United States Government was currently engaged in trying to obtain authorization from the American Congress for it to extend the mandate to the U.S.A Government to negotiate bilateral and multilateral trade agreements. This mandate was to expire in July 2005.<sup>1</sup>

He stated that the Doha Round provides a unique opportunity, which should not be wasted. Africa's declining share of world trade needed to be reversed. There was need to reach agreement on key issues so that the Doha round can be concluded by end 2006. There was need for WTO members to redouble their efforts.

### **Agriculture**

On agricultural negotiations, Mr. Allgeir informed African Ministers of Trade that the United States was looking for ambitious outcome in all three pillars of these negotiations, market access, domestic support measures and export competition. For the U.S.A/ an ambitious outcome is essential for the opening up of world agricultural markets. He also stated that such ambitious outcome is also essential for a successful outcome of the negotiations on the cotton sectoral initiative. The U.S.A. is still of the view that the issue of cotton subsidies has to be dealt with within the context of the broader "agricultural negotiations". This view runs contrary to that of the proponents of the Initiative who would like this matter dealt with "expeditiously, ambitiously and with specificity", as agreed in the July Package.

### **Non-Agricultural Market Access (NAMA)**

Mr. Allgeir noted that a number of proposals have been received on tariff reduction formula and other aspects of the NAMA negotiations. These include those submitted by the European Union, the United States, Brazil, India, Norway and Columbia. He noted that although most African countries are exempt in accordance with the July Package from application of tariff reduction formula and commitments, nonetheless all WTO members have an interest in the decision on the formula.

In this respect, the U.S.A has been examining the application of an ambitious Swiss Formula, which reduces higher tariffs more than lower tariffs. Mr. Allgeir stated that the formula being considered by the U.S.A. would take into account erosion of preferences.

### **Trade in Services**

He stated that competitiveness of the services sector is key to achieving international competitiveness and accordingly there is need to focus on this sector. He acknowledged that in order for Africa to effectively participate in the services sector, there was need to build requisite capacity. There was accordingly need to develop local capacity.

### **Developmental Dimensions of the DDA**

Mr. Allgeir welcomed the efforts that were being made by the Chairman of the Committee on Trade and Development, Mr. Faizel Ismail of South Africa, to move the negotiations on the developmental aspects of the DDA, and more specifically on issues of S&D forward.

### **Technical Assistance**

He stated that the United States of America has in recent years increased its technical assistance and support to trade and WTO-related issues. The U.S is also providing technical assistance for trade facilitation.

## **TRIPS and Public Health**

Mr. Allgeir informed the Ministers that the U.S. is interested in arriving a durable solution to this problem. Accordingly, there was need to make progress in transforming the "waiver" into a permanent amendment of the Intellectual Property (TRIPS Agreement).

## **Ministerial Discussion**

The Remarks by Mr. Mandelson and Mr. Allgeir were followed by a discussion on the broader issues on trade liberalization and integration in the global trading system and more specifically on the Doha Work Programme (DWP). African Trade Ministers noted that there were divergences between positions taken by the EU and U.S.A on various issues under negotiations. They were of the view that there was need to bridge gaps in positions of these super world economies if progress is to be achieved in the DWP. A number of Ministers expressed concern at the possible erosion of preferences and their implications on their economies, as well as the impact of the phase out of the Multi Fiber Agreement on their textile and clothing industry.

African Ministers also raised the issues of food security, rural livelihood and the negotiations on agriculture. They emphasized the importance of exempting African countries from commitments on domestic support measures in order for them to undertake relevant actions needed for food security and improvements in rural livelihood. The Ministers also noted the inconsistencies between pronouncements by the EU Trade Commissioner and the USTR Representative and the negotiating positions taken by their officials in Geneva.

Concerns were also raised regarding conditions governing Mode 4 Supply of Labour by African countries to developed countries. The Ministers called for rationalization by developed countries entry visas for Africa migrant workers. They acknowledged the difficulties of dealing with this issue as it is intertwined with immigration policies of countries. Nonetheless, they were of the view that developed countries needed to improve on market access under Mode 4.

Ministers also expressed concern that the current impasse on ratification of the EU constitution could divert EU attention from focusing on problems of Africa. They also called for transforming market access promises into tangible results and also the need to urgently address implementation-related issues and concerns as well as quickly addressing the matter of TRIPS and Public Health and the need to amend the TRIPS Agreement. Ministers expressed concern that the U.S.A was emphasizing that the cotton sector initiative needed to be dealt with as a "Single Undertaking" within the framework of the agricultural negotiations. This in their view would perpetuate misery in the cotton producing African countries. In this respect, there was need to expedite the negotiations in the Sub-Committee on cotton.

## **Cairo Roadmap**

The Cairo Roadmap identifies key issues for Africa in the current round of multilateral trade negotiations, focusing on agriculture, including cotton and bananas; non-agricultural market access (NAMA); trade in services; development issues; commodities; trade facilitation; issues on rules; Least Developed Countries (LDCs); technical cooperation; work programme on small and island economies; trade, debt and finance; trade and transfer of technology; and accession.

In agriculture, the Cairo Roadmap identifies key important aspects of the negotiations in agriculture in the three pillars of market access, export competition, and domestic support. The Roadmap also addresses of cotton and bananas. As regards the issue of bananas, the Roadmap refers specifically on an arbitration procedure, which is currently going on in the WTO, which has been initiated by non-African countries that are banana growers. This arbitration procedure if successful could have serious repercussions on African banana growers and exporters.

On the Cotton Sectoral Initiative, the Roadmap endorsed the submission of the WTO Africa Group to the Sub-Committee on Cotton of April 22<sup>nd</sup> 2005 and called on development-member partners to undertake certain measures, prior to the Hong Kong WTO Ministerial Conference, in order to make progress on the cotton issue.

The Ministers also adopted the Cairo Declaration in which among other things they called on WTO Members to demonstrate the requisite political will to achieve progress in July 2005 that would lay the basis for a successful Hong Kong Ministerial Conference.

1 The U.S.A House of representatives voted on 9 June 2005 by 338 to 86 in favour of the United States staying in the World Trade Organization (WTO)